

PRINCE ALBERT

MUNICIPALITY



AUDITED FINANCIAL STATEMENTS

30 JUNE 2014

PRINCE ALBERT LOCAL MUNICIPALITY

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PRINCE ALBERT LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

GENERAL INFORMATION

NATURE OF MUNICIPALITY'S OPERATIONS AND PRINCIPAL ACTIVITIES

Prince Albert Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

DOMICILE AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Prince Albert Municipality includes the following areas:

*Prince Albert
Klaarstroom
Leeu Gamka*

MUNICIPAL MANAGER

Mr. H Mettler

CHIEF FINANCIAL OFFICER

Mr. J Neethling

REGISTERED OFFICE

*Private Bag X53
PRINCE ALBERT
6730*

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

ABSA, Prince Albert

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

AUDIT COMMITTEE MEMBERS

A.B.J. Dippenaar
P.J. Theron
J.C. van Wyk

PRINCE ALBERT LOCAL MUNICIPALITY

MEMBERS OF THE PRINCE ALBERT LOCAL MUNICIPALITY

COUNCILLORS

Ward	G. Lottering
Ward	N.D. Jaftha
Ward	N.S. Abrahams
Ward	I.J. Windvogel
Proportional	D.S. Rennie
Proportional	A.L. Rabie
Proportional	C. Stols

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2014, which are set out on pages 1 to 78 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2015 and I am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr. H Mettler
Municipal Manager

Date

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Notes	2014 R	Restated 2013 R
NET ASSETS AND LIABILITIES			
Net Assets		80 242 741	67 928 594
Accumulated Surplus/(Deficit)		80 242 741	67 928 594
Non-Current Liabilities		4 573 129	4 733 359
Long-term Liabilities	2	47 015	120 014
Employee benefits	3	3 884 059	4 001 404
Non-Current Provisions	5	642 055	611 941
Current Liabilities		19 211 926	9 159 071
Consumer Deposits	6	374 402	352 011
Employee benefits	7	1 528 289	1 369 305
Provisions	8	1 461 012	1 392 488
Trade and other payables	9	5 888 742	2 137 880
Unspent Conditional Government Grants and Receipts	10	9 904 570	3 321 219
Taxes	11	-	-
Bank Overdraft	20	-	528 316
Current Portion of Long-term Liabilities	2	54 911	57 852
Total Net Assets and Liabilities		104 027 796	81 821 024
ASSETS			
Non-Current Assets		89 710 135	75 494 231
Property, Plant and Equipment	12	75 626 400	59 794 437
Investment Property	14	13 858 444	15 156 911
Intangible Assets	15	68 470	91 017
Capitalised Restoration Costs	13	156 821	451 866
Current Assets		14 317 661	6 326 793
Inventory	16	623 089	544 839
Trade Receivables from exchange transactions	17	1 924 932	2 134 034
Receivables from non-exchange transactions	18	91 365	130 864
Unpaid Conditional Government Grants and Receipts	10	-	-
Lease Asset	20	64 376	56 158
Taxes	11	1 859 339	439 524
Cash and Cash Equivalents	20	9 754 560	3 021 374
Total Assets		104 027 796	81 821 024

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 (Actual) R	2013 (Restated) R	Correction of error R	2013 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		57 071 686	26 366 134	(7 085)	26 373 219
Taxation Revenue		2 128 647	1 959 466	(7 085)	1 966 551
Property taxes	21	2 128 647	1 959 466	(7 085)	1 966 551
Transfer Revenue		41 945 262	23 664 394	-	23 664 394
Government Grants and Subsidies - Capital	22	19 362 912	7 740 609	-	7 740 609
Government Grants and Subsidies - Operating	22	22 581 250	15 923 786	-	15 923 786
Public Contributions and Donations		1 100	-	-	-
Other Revenue		12 997 777	742 274	-	742 274
Actuarial Gains	4	418 226	-	-	-
Third Party Payments		-	-	-	-
Fines		12 579 551	742 274	-	742 274
Revenue from Exchange Transactions		16 451 457	15 287 654	(28 816)	15 316 471
Service Charges	23	13 876 276	13 156 106	(28 556)	13 184 663
Debt Impairment		-	-	-	-
Rental of Facilities and Equipment		279 907	201 208	-	201 208
Interest Earned - external investments		541 928	366 377	-	366 377
Interest Earned - outstanding debtors		562 568	563 758	(260)	564 018
Licences and Permits		256 394	219 070	-	219 070
Other Income	24	934 383	781 136	-	781 136
Total Revenue		73 523 143	41 653 789	(35 901)	41 689 690
EXPENDITURE					
Employee related costs	25	13 599 262	13 467 718	2 439 989	11 027 729
Remuneration of Councillors	26	2 309 463	2 183 812	-	2 183 812
Debt Impairment	27	13 166 869	2 882 353	-	2 882 353
Depreciation and Amortisation	28	2 218 432	1 696 140	5 540	1 690 600
Impairments	29	3 864 891	1 319	-	1 319
Repairs and Maintenance		829 573	700 632	-	700 632
Actuarial losses	3	-	300 630	-	300 630
Finance Charges	30	425 284	343 021	-	343 021
Bulk Purchases	31	7 630 228	8 094 812	-	8 094 812
Contracted services		6 656 069	1 367 757	1 367 757	-
Operating Grant Expenditure			(0)	(4 499 489)	4 499 489
General Expenses	32	10 452 429	8 224 775	432 046	7 792 729
Profit/Loss on disposal of Property, Plant and Equipment		56 499	-	-	-
Total Expenditure		61 208 998	39 262 969	(254 157)	39 517 125
NET (DEFICIT)SURPLUS FOR THE YEAR		12 314 144	2 390 820	218 256	2 172 565

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Housing Development Fund	Accumulated Surplus	Total
	R	R	R
Balance at 1 JULY 2012	805 823	64 853 743	65 659 566
Correction of error - note 35.1		(121 794)	(121 794)
Restated Balance at 1 JULY 2012	805 823	64 731 949	65 537 773
Transfer to Accumulated Surplus	(805 823)	805 823	-
Net Surplus for the year		2 390 820	2 390 820
Restated Balance at 30 JUNE 2013	-	67 928 593	67 928 593
Net Surplus for the year	-	12 314 144	12 314 144
Balance at 30 JUNE 2014	-	80 242 738	80 242 737

PRINCE ALBERT LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Notes	30 JUNE 2014 R	30 JUNE 2013 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		33 262 381	42 783 379
Government - operating		22 581 250	15 923 786
Government - capital		19 362 912	7 740 609
Interest		1 104 496	930 134
Dividends		-	-
Payments			
Suppliers and employees		(48 214 980)	(59 272 798)
Finance charges	30	(425 284)	(343 021)
Transfers and Grants		-	-
Cash generated by operations	35	27 670 775	7 762 088
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	12	(20 405 266)	(8 356 478)
Disposal of Biological Assets		-	-
Proceeds on Disposal of Fixed Assets		52 634	-
Purchase of Intangible Assets		-	(1 601)
Additions to Capitalised Restoration Cost		(3 092)	(414 963)
Increase in Long-term Receivables		-	-
Net Cash from Investing Activities		(20 355 724)	(8 773 042)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(75 939)	(60 284)
New loans raised		-	52 248
Increase in Consumer Deposits		22 391	16 293
Net Cash from Financing Activities		(53 548)	8 257
NET INCREASE IN CASH AND CASH EQUIVALENTS		7 261 503	(1 002 697)
Cash and Cash Equivalents at the beginning of the year		2 493 058	3 495 755
Cash and Cash Equivalents at the end of the year	36	9 754 560	2 493 058
NET INCREASE IN CASH AND CASH EQUIVALENTS		7 261 502	(1 002 697)

PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	415 575	848 627	(433 052)	
Call investment deposits	9 338 985	2 380 777	6 958 208	
Consumer debtors	2 016 297	2 746 657	(730 360)	
Other Receivables	1 923 715	525 423	1 398 292	
Current portion of long-term receivables	-	-	-	
Inventory	623 089	577 529	45 560	
Total current assets	14 317 661	7 079 013	7 238 648	
Non current assets				
Long-term receivables	156 821	-	156 821	
Investments	-	-	-	
Investment property	13 858 444	15 156 911	(1 298 467)	
Property, plant and equipment	75 626 400	82 544 283	(6 917 883)	
Biological Assets	-	-	-	
Intangible Assets	68 470	-	68 470	
Heritage Assets	-	-	-	
Total non current assets	89 710 135	97 701 194	(7 991 059)	
TOTAL ASSETS	104 027 796	104 780 207	(752 411)	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	54 911	75 939	(21 028)	
Consumer deposits	374 402	352 011	22 391	
Trade and other payables	5 888 742	5 271 099	617 643	
Provisions and Employee Benefits	2 989 301	2 761 793	227 508	
Total current liabilities	9 307 356	8 460 842	846 514	
Non current liabilities				
Borrowing	47 015	25 988	21 027	
Provisions and Employee Benefits	4 526 114	4 530 146	(4 032)	
Total non current liabilities	4 573 129	4 556 134	16 995	
TOTAL LIABILITIES	13 880 485	13 016 976	863 509	
NET ASSETS	90 147 311	91 763 232	(1 615 920)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	80 242 741	91 854 253	(11 611 512)	
TOTAL COMMUNITY WEALTH/EQUITY	80 242 741	91 854 253	(11 611 512)	

PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	-	848 627	848 627	
Call investment deposits	3 500 000	(1 119 223)	2 380 777	
Consumer debtors	1 258 000	1 488 657	2 746 657	
Other Receivables	-	525 423	525 423	
Current portion of long-term receivables	-	-	-	
Inventory	-	577 529	577 529	
Total current assets	<u>4 758 000</u>	<u>2 321 013</u>	<u>7 079 013</u>	
Non current assets				
Long-term receivables	-	-	-	
Investments	-	-	-	
Investment property	15 159 000	(2 089)	15 156 911	
Property, plant and equipment	61 252 393	21 291 890	82 544 283	
Biological Assets	-	-	-	
Intangible Assets	-	-	-	
Heritage Assets	-	-	-	
Total non current assets	<u>76 411 393</u>	<u>21 289 801</u>	<u>97 701 194</u>	
TOTAL ASSETS	<u>81 169 393</u>	<u>23 610 814</u>	<u>104 780 207</u>	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	-	75 939	75 939	
Consumer deposits	-	352 011	352 011	
Trade and other payables	1 812 000	3 459 099	5 271 099	
Provisions and Employee Benefits	-	2 761 793	2 761 793	
Total current liabilities	<u>1 812 000</u>	<u>6 648 842</u>	<u>8 460 842</u>	
Non current liabilities				
Borrowing	40 000	(14 012)	25 988	
Provisions and Employee Benefits	6 300 000	(1 769 854)	4 530 146	
Total non current liabilities	<u>6 340 000</u>	<u>(1 783 866)</u>	<u>4 556 134</u>	
TOTAL LIABILITIES	<u>8 152 000</u>	<u>4 864 976</u>	<u>13 016 976</u>	
NET ASSETS	<u>73 017 393</u>	<u>18 745 839</u>	<u>91 763 232</u>	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	73 017 393	18 836 860	91 854 253	
TOTAL COMMUNITY WEALTH/EQUITY	<u>73 017 393</u>	<u>18 836 860</u>	<u>91 854 253</u>	

PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	2 128 647	2 217 534	(88 887)	New General Valuation Roll was applied from 1 July 2013.
Service charges	13 876 276	13 953 000	(76 724)	Internal revenue removed. Electricity income not realising as expected.
Rental of facilities and equipment	279 907	294 500	(14 593)	Operating Lease income from Thousong Centre being smoothed.
Interest earned - external investments	541 928	340 000	201 928	Under performance on MIG Grant spending.
Interest earned - outstanding debtors	562 568	500 000	62 568	Higher debtors' book resulted in higher interest received.
Fines	12 579 551	2 681 000	9 898 551	Variance is due to the implimentation of IGRAP 1
Licences and permits	256 394	908 000	(651 606)	Only the net income is shown under the actual column.
Government Grants and Subsidies - Operating	22 581 250	24 495 500	(1 914 250)	Grants allocated not received due to cash flow problems.
Other revenue	1 353 709	489 300	864 409	Increase was mainly due to the Actuarial Gain on Employee Benefits.
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	54 160 231	45 878 834	8 281 397	
EXPENDITURE BY TYPE				
Employee related costs	13 599 262	11 498 489	2 100 773	Savings on vacant positions
Remuneration of councillors	2 309 463	2 305 300	4 163	
Debt impairment	13 166 869	1 600 000	11 566 869	Variance is due to the implimentation of IGRAP 1
Depreciation & asset impairment	6 083 323	1 587 657	4 495 666	
Finance charges	425 284	358 400	66 884	The amount was under-budgeted.
Bulk purchases	7 630 228	7 725 000	(94 772)	
Grants and subsidies paid	-	-	-	Grant expenditure was budgeted for under general expenses.
Other expenditure	11 282 002	20 799 870	(9 517 868)	Grant expenditure was included under grants and susidies paid..
Loss on disposal of PPE	56 499	-	56 499	
Total Operating Expenditure	54 552 929	45 874 716	8 678 213	
Operating Surplus/(Deficit) for the year	(392 699)	4 118	(396 817)	
Government Grants and Subsidies - Capital	19 362 912	24 018 000	(4 655 088)	Housing grant capital income was included under the operating budget.
Net Surplus for the year	18 970 213	24 022 118	(5 051 905)	

PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
REVENUE BY SOURCE				
Property rates	2 217 534	-	2 217 534	
Service charges	14 706 200	(753 200)	13 953 000	Provision was made for a lower electricity income.
Rental of facilities and equipment	294 500	-	294 500	
Interest earned - external investments	340 000	-	340 000	
Interest earned - outstanding debtors	500 000	-	500 000	
Fines	2 681 000	-	2 681 000	
Licences and permits	978 000	(70 000)	908 000	
Government Grants and Subsidies - Operating	24 433 000	62 500	24 495 500	Additional grant allocations received were corrected in the budget.
Other revenue	1 613 000	(1 123 700)	489 300	Administration costs removed from budget.
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	47 763 234	(1 884 400)	45 878 834	
EXPENDITURE BY TYPE				
Employee related costs	12 247 869	(749 380)	11 498 489	Budgeted positions which were not filled were removed from the budget.
Remuneration of councillors	2 305 300	-	2 305 300	
Debt impairment	1 600 000	-	1 600 000	
Depreciation & asset impairment	1 397 657	190 000	1 587 657	Depreciation was anticipated to be higher than originally budgeted for.
Finance charges	208 400	150 000	358 400	Finance charges increased on Landfill sites.
Bulk purchases	8 400 000	(675 000)	7 725 000	Electricity purchases was expected to be lower.
Contracted services	300 000	(300 000)	-	The amounts paid to Jan Nel was corrected in the adjustment budget.
Other expenditure	22 100 215	(1 300 345)	20 799 870	Administration costs removed from budget.
Loss on disposal of PPE	-	-	-	
Total Operating Expenditure	48 559 441	-2 684 725	45 874 716	
Operating Surplus/(Deficit) for the year	(796 207)	800 325	4 118	
Government Grants and Subsidies - Capital	17 918 000	6 100 000	24 018 000	Additional Grants allocated.
Net Surplus for the year	17 121 793	6 900 325	24 022 118	

**PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	33 262 381	18 467 735	14 794 646	
Government - operating	22 581 250	24 495 500	(1 914 250)	
Government - capital	19 362 912	24 018 000	(4 655 088)	
Interest	1 104 496	840 000	264 496	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(48 214 980)	(42 632 549)	(5 582 431)	
Finance charges	(425 284)	(358 400)	(66 884)	
Transfers and Grants	-	-	-	
NET CASH FROM/(USED) OPERATING ACTIVITIES	27 670 775	24 830 286	2 840 489	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	52 634	-	52 634	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(20 405 266)	(24 018 000)	3 612 734	
NET CASH FROM/(USED) INVESTING ACTIVITIES	-20 352 632	(24 018 000)	3 665 368	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	22 391	-	22 391	
Payments				
Repayment of borrowing	(75 939)	(75 939)	(0)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(53 548)	(75 939)	22 391	
NET INCREASE/(DECREASE) IN CASH HELD	7 264 595	736 347	6 528 248	
Cash and Cash Equivalents at the beginning of the year	2 493 058	2 493 058	0	
Cash and Cash Equivalents at the end of the year	9 754 560	3 229 405	6 525 155	

**PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	22 690 234	(4 222 499)	18 467 735	
Government - operating	34 026 000	(9 530 500)	24 495 500	
Government - capital	8 125 000	15 893 000	24 018 000	
Interest	840 000	-	840 000	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(45 444 884)	2 812 335	(42 632 549)	
Finance charges	(208 400)	(150 000)	(358 400)	
Transfers and Grants	-	-	-	
NET CASH FROM/(USED) OPERATING ACTIVITIES	20 027 950	4 802 336	24 830 286	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(17 918 000)	(6 100 000)	(24 018 000)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(17 918 000)	(6 100 000)	(24 018 000)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	-	-	-	
Payments				
Repayment of borrowing	-	(75 939)	(75 939)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	(75 939)	(75 939)	
NET INCREASE/(DECREASE) IN CASH HELD	2 109 950	(1 373 603)	736 347	
Cash and Cash Equivalents at the beginning of the year	3 882 000	(1 388 942)	2 493 058	
Cash and Cash Equivalents at the end of the year	5 991 950	(2 762 545)	3 229 405	

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised – Feb 2013)	Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations)	1 April 2014

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.6. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

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The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	Consolidated and Separate Financial Statements The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.	Unknown
GRAP 8 (Revised – Nov 2010)	Interest in Joint Ventures The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. No significant impact is expected as the Municipality is not involved in any joint ventures.	Unknown
GRAP 18 (Original – Feb 2011)	Segment Reporting The objective of this Standard is to establish principles for reporting financial information by segments. No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.	1 April 2015

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

GRAP 20 (Original – June 2011)	Related Party Disclosure <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	Service Concession Arrangements: Grantor <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 105 (Original – Nov 2010)	Transfer of Functions Between Entities Under Common Control <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 106 (Original – Nov 2010)	Transfer of Functions Between Entities Not Under Common Control <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 107 (Original – Nov 2010)	Mergers <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p>	1 April 2015

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	No significant impact expected as no such transactions or events are expected in the foreseeable future.	
GRAP 108 (Original – Sept 2013)	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	Unknown
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.9.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.10. LEASES

1.10.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, and subsidies

1.13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised..

1.14. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

(a) *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(c) Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(d) Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(e) Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(f) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.15. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major

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spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.16.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	60	Buildings	100
Pedestrian Malls	60	Specialist vehicles	7 - 15
Electricity	15 - 54	Motor vehicles	7 - 20
Water	60	Office equipment	5 - 30
Sewerage	60	Furniture and fittings	7 - 20
Transfer Station	7	Plant and	
		Equipment	7 - 21
<u>Community</u>		Landfill sites	15
Buildings	100-104	Loose Equipment	7 - 11
Recreational Facilities	100	Emergency equipment	5 - 13
Museum	100	Computer equipment	5 - 13
Halls	100		
Libraries	100		
Parks and gardens	15 - 20		
Other assets	7 - 20		
<u>Finance lease assets</u>			
Office equipment	2 - 7		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.16.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Property, Plant and Equipment – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined.

1.17. INTANGIBLE ASSETS

1.17.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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1.17.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5 - 11

1.17.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18. INVESTMENT PROPERTY

1.18.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

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Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.18.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.18.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	5 - 100

1.18.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

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- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. NON CURRENT INVESTMENTS

Financial instruments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21. INVENTORIES

1.21.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

1.22.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.22.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased

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or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.22.3 *De-recognition of Financial Instruments*

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

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When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.23. REVENUE

1.23.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

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Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges from sewerage are based on a basic charge as per Council resolution.

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Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue and in accordance with the relevant Standards of GRAP on Financial Instruments.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.24. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post retirement medical obligations

The cost of post retirement medical obligations is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

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Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.32. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

	2014 R	2013 R
2 LONG-TERM LIABILITIES		
Capitalised Lease Liability - At amortised cost	101 926	177 866
Current Portion transferred to Current Liabilities	54 911	57 852
Capitalised Lease Liability - At amortised cost	54 911	57 852
Total Long-term Liabilities - At amortised cost using the effective interest rate method	47 015	120 014
The obligations under finance leases are scheduled below:		
	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	58 509	75 939
Payable within two to five years	48 073	114 256
	106 582	190 195
Less: Future finance obligations	(4 656)	(12 329)
Present value of lease obligations	101 927	177 866
Leases are secured by property, plant and equipment - Note 12		
3 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 4.1	3 884 059	4 001 404
Total Non-current Employee Benefit Liabilities	3 884 059	4 001 404
<u>Post Retirement Benefits</u>		
Balance 1 July	4 192 984	3 676 424
Contribution for the year	139 395	117 342
Interest Cost	324 397	271 573
Expenditure for the year	(174 707)	(172 985)
Actuarial Loss/(Gain)	(418 226)	300 630
Total post retirement benefits 30 June	4 063 843	4 192 984
Less: Transfer of Current Portion - Note 7	(179 784)	(191 580)
Balance 30 June	3 884 059	4 001 404
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	4 192 984	3 676 424
Contribution for the year	139 395	117 342
Interest cost	324 397	271 573
Expenditure for the year	(174 707)	(172 985)
Actuarial Loss/(Gain)	(418 226)	300 630
Total employee benefits 30 June	4 063 843	4 192 984
Less: Transfer of Current Portion - Note 7	(179 784)	(191 580)
Balance 30 June	3 884 059	4 001 404

4	EMPLOYEE BENEFITS (CONTINUE)	2014	2013
		R	R
4.1	Post Retirement Benefits		
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:			
	In-service (employee) members	15	15
	In-service (employee) non-members	25	27
	Continuation members (e.g. Retirees, widows, orphans)	6	7
	Total Members	46	49
The liability in respect of past service has been estimated to be as follows:			
	In-service members	2 058 733	1 864 350
	Continuation members	2 005 110	2 328 634
	Total Liability	4 063 843	4 192 984
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
	2014	2013	2012
	R	R	R
	In-service members	2 058 733	1 864 350
	Continuation members	2 005 110	2 328 634
	Total Liability	4 063 843	4 192 984
	2014	2013	2012
	R	R	R
	In-service members	2 058 733	1 513 866
	Continuation members	2 005 110	2 162 558
	Total Liability	4 063 843	3 676 424
Experience adjustments were calculated as follows:			
	2014	2013	2012
	R	R	R
	Liabilities: (Gain) / loss	-	(102 000)
	Assets: Gain / (loss)	(32 000)	-
The municipality performed their first actuarial valuation on 30 June 2010. Thus there are experience adjustment figures available since 30 June 2010 to fully comply with GRAP 25			
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:			
Bonitas; LA Health Samwumed; and Keyhealth.			
Key actuarial assumptions used:			
	2014	2013	
	%	%	
i) Rate of interest			
Discount rate	9.00%	7.91%	
Health Care Cost Inflation Rate	8.22%	7.67%	
Net Effective Discount Rate	0.72%	0.22%	
The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"			
ii) Mortality rates			
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.			
iii) Normal retirement age			
It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.			
	2014	2013	
	R	R	
The amounts recognised in the Statement of Financial Position are as follows:			
	3 884 059	4 001 404	
Present value of fund obligations			
Net liability/(asset)	3 884 059	4 001 404	

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

	2014 R	2013 R
Present value of fund obligation at the beginning of the year	4 192 984	3 676 424
Total expenses	289 085	215 930
Current service cost	139 395	117 342
Interest Cost	324 397	271 573
Benefits Paid	(174 707)	(172 985)
Actuarial (gains)/losses	(418 226)	300 630
Present value of fund obligation at the end of the year	4 063 843	4 192 984
Less: Transfer of Current Portion - Note 7	(179 784)	(191 580)
Balance 30 June	3 884 059	4 001 404

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	2 059	2 005	4 064	12%

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	2569	2 196	4 765	17%
Health care inflation	-1%	1663	1 836	3 499	-14%
Post-retirement mortality	-1 year	2133	2 093	4 226	4%
Average retirement age	-1 year	2240	2 005	4 245	4%
Withdrawal Rate	-50%	2107	2 329	4 436	9%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		139400	324400	463 800	
Health care inflation	1%	178500	380500	559 000	21%
Health care inflation	-1%	109900	279200	389 100	-16%
Post-retirement mortality	-1 year	144600	338400	483 000	4%
Average retirement age	-1 year	152400	337100	489 500	6%
Withdrawal Rate	-50%	166700	343600	510 300	10%

4.2 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 23.06% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in an sound financial position with a funding level of 99.8% (30 June 2012 - 105.3%).

666 516 636 050

CAPE JOINT RETIREMENT FUND

The contribution rate payable is 7.5% by members and 19.5% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 105.1% (30 June 2012 - 108.0%).

DEFINED CONTRIBUTION PLANS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

	2014 R	2013 R
5 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	642 055	611 941
Total Non-current Provisions	642 055	611 941

Landfill Sites

Balance 1 July	2 004 429	1 377 637
Contribution for the year	98 638	626 792
Total provision 30 June	2 103 067	2 004 429
Current Portion - Refer to note 8	(1 461 012)	(1 392 488)
Balance 30 June	642 055	611 941

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:
This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

	<i>Prince Albert</i>	<i>Leeu Gamka</i>	<i>Klaarstroom</i>
Area (m²)	5285m²	1610m²	6680m²
Rehabilitation volume (m³)	14600m³	5470m³	1840m³
Fence (m)	50m	50m	100m
Cost of fence (Rand)	-	-	-
Site Clearance (R40/m³)	141 350	141 350	141 350
Excavation cost (R40/m³)	62 846	37 708	37 708
Filling (R20/m³)	229 857	56 018	107 165
Preliminary and general (Rand)	60 976	20 485	28 975
Fees and expenses (Rand)	387 805	322 617	326 857

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation 2014</u>	<u>Cost of rehabilitation 2013</u>
Prince Albert	2015	882 834	841 428
Leeu Gamka	2014	578 178	551 060
Klaarstroom	2039	642 054	611 941
		2 103 066	2 004 429

	2014 R	2013 R
6 CONSUMER DEPOSITS		
Electricity	263 146	263 286
Huur	7 488	7 488
Water	103 768	81 237
Total Consumer Deposits	374 402	352 011
Guarantees held in lieu of Electricity and Water Deposits	-	-

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

7	CURRENT EMPLOYEE BENEFITS	2014 R	2013 R
	Current Portion of Post Retirement Benefits - Note 3	179 784	191 580
	Staff Leave	946 257	899 925
	Bonuses	402 248	277 799
	Total Current Employee Benefits	1 528 289	1 369 304

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	899 925	747 644
Contribution to current portion	135 009	342 936
Expenditure incurred	(88 678)	(190 655)
Balance at end of year	946 256	899 925

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Bonuses

Balance at beginning of year	277 799	246 860
Contribution to current portion	124 449	84 282
Expenditure incurred	-	(53 343)
Balance at end of year	402 248	277 799

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

8	PROVISIONS	2014 R	2013 R
	Current Portion of Rehabilitation of Landfill-sites - Note 5	1 461 012	1 392 488
	Total Provisions	1 461 012	1 392 488

9	TRADE AND OTHER PAYABLES	R	R
	Trade Payables	4 778 118	1 272 681
	Balance previously reported		1 272 681
	Correction of error note 34		-
	Deposits received in advance	-	-
	Debtors with credit balances	460 607	422 815
	Retentions	648 522	440 889
	Sundry Deposits	1 495	1 495
	Total Trade Payables	5 888 742	2 137 880

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value.

Sundry deposits include hall, builders and housing Deposits.

		2014 R	2013 R
10	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
	Unspent Grants	9 904 570	3 321 219
	National Government Grants	672 292	2 183 294
	Provincial Government Grants	371 527	411 117
	Other Grant Providers	8 860 751	726 808
	Less: Unpaid Grants	-	-
	National Government Grants	-	-
	Correction of Error	-	-
	Other Grant Providers	-	-
	Total Conditional Grants and Receipts	9 904 570	3 321 219
11	TAXES	2014 R	2013 R
11.1	VAT PAYABLE		
	VAT output in suspense	285 769	101 309
	Total Vat payable	285 769	101 309
11.2	VAT RECEIVABLE		
	VAT input in suspense	2 145 108	540 832
	Total VAT receivable	2 145 108	540 832
11.3	NET VAT RECEIVABLE/(PAYABLE)	1 859 339	439 524
	VAT is receivable/payable on the cash basis.		

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

12 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

Reconciliation of Carrying Value

	Opening Balance R	Transfers R	Cost Correction of Error R	Additions R	Disposals R	Closing Balance R	Accumulated Impairments Opening Balance R	Additions R	Closing Balance R	Opening Balance R	Transfers R	Accumulated Depreciation Correction of Errors R	Additions R	Disposals R	Closing Balance R	Carrying Value R
Land and Buildings	7 417 116	75 700	-	-	-	7 492 816	-	2 484 877	2 484 877	146 293	-	-	37 866	-	184 160	4 823 779
Land	3 630 479	75 700	-	-	-	3 706 179	-	1 544 885	1 544 885	-	-	-	-	-	-	2 161 294
Buildings	3 786 637	-	-	-	-	3 786 637	-	939 992	939 992	146 293	-	-	37 866	-	184 160	2 662 485
Infrastructure	43 699 649	-	-	20 056 733	-	63 756 381	-	-	-	7 765 064	-	-	1 041 283	-	8 806 347	54 950 034
Main: Roads	13 520 108	137 063	-	213 602	-	13 870 774	-	-	-	2 888 337	-	-	362 373	-	3 250 709	10 620 065
Main: Waste Management	13 865 624	-	-	547 945	-	14 413 569	-	-	-	1 240 015	-	-	330 585	-	1 570 600	12 842 968
Main: Electricity	2 751 771	-	-	-	-	2 751 771	-	-	-	1 142 339	-	-	61 054	-	1 203 393	1 548 378
Main: Water	12 338 102	-	-	2 250 285	-	14 588 387	-	-	-	2 494 373	-	-	287 271	-	2 781 645	11 806 743
Taxi Ranks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in Progress	1 224 044	(137 063)	-	17 044 900	-	18 131 881	-	-	-	-	-	-	-	-	-	18 131 881
Reservoirs/Tanks and Pumps	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	13 849 498	-	-	188 473	-	14 037 971	-	-	-	275 322	-	-	124 260	-	399 582	13 638 389
Recreation Grounds	5 444 883	-	-	-	-	5 444 883	-	-	-	9 321	-	-	2 283	-	11 603	5 433 280
Civic Buildings	961 600	4 705 343	-	-	-	5 666 943	-	-	-	39 265	-	-	56 204	-	95 469	5 571 475
Transfer Station	292 901	-	-	-	-	292 901	-	-	-	129 016	-	-	41 843	-	170 859	122 042
Libraries	1 177 450	-	-	-	-	1 177 450	-	-	-	48 080	-	-	11 775	-	59 854	1 117 596
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bus Terminals	78 670	-	-	-	-	78 670	-	-	-	3 213	-	-	787	-	3 999	74 671
Work in Progress	4 705 343	(4 705 343)	-	188 473	-	188 473	-	-	-	-	-	-	-	-	-	188 473
Cemetery	51 650	-	-	-	-	51 650	-	-	-	-	-	-	-	-	-	51 650
Museum	1 137 000	-	-	-	-	1 137 000	-	-	-	46 428	-	-	11 370	-	57 798	1 079 202
Lease Assets	291 919	-	-	-	-	291 919	-	-	-	95 717	-	-	58 076	-	153 793	138 126
Office Equipment	291 919	-	-	-	-	291 919	-	-	-	95 717	-	-	58 076	-	153 793	138 126
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	4 771 153	-	-	160 060	(128 418)	4 802 795	-	225 111	225 111	1 952 501	-	-	635 911	(86 799)	2 501 612	2 076 071
Motor Vehicles	1 162 356	-	-	(90 033)	-	1 072 323	-	225 111	225 111	296 623	-	-	157 329	(59 038)	394 913	452 298
Plant and Equipment	407 757	-	-	37 627	(3 024)	442 361	-	-	-	194 691	-	-	40 217	(1 715)	233 194	209 167
Office Equipment	394 338	-	-	(7 850)	-	386 488	-	-	-	231 820	-	-	43 538	(6 206)	269 152	117 336
Furniture and Equipment	636 711	-	-	88 561	(5 605)	719 667	-	-	-	301 980	-	-	93 363	(4 065)	391 277	328 390
Loose Equipment	220 273	-	-	-	-	220 273	-	-	-	38 222	-	-	22 752	-	60 975	159 298
Computer Equipment	830 826	-	-	18 621	(21 905)	827 542	-	-	-	486 489	-	-	121 261	(15 775)	591 975	235 567
Specialised Vehicles	1 116 900	-	-	15 250	-	1 132 150	-	-	-	401 319	-	-	157 269	-	558 588	573 562
Security Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire Fighting Equipment	1 991	-	-	-	-	1 991	-	-	-	1 358	-	-	181	-	1 538	453
	70 029 334	75 700	-	20 405 266	(128 418)	90 381 882	-	2 709 988	2 709 988	10 234 897	-	-	1 897 397	(86 799)	12 045 494	75 626 400

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30 JUNE 2013

Reconciliation of Carrying Value

Reconciliation of Carrying Value	Cost					Accumulated Impairments			Accumulated Depreciation					Carrying Value		
	Opening Balance R	Transfers R	Correction of Error R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Closing Balance R	Opening Balance R	Transfers R	Errors Correction of R	Additions R	Disposals R	Closing Balance R	R
Land and Buildings	7 417 116	-	-	-	-	7 417 116	-	-	-	108 427	-	-	37 866	-	146 293	7 270 822
Land	3 630 479	-	-	-	-	3 630 479	-	-	-	-	-	-	-	-	-	3 630 479
Balance Previously Reported	3 791 979	-	-	-	-	3 791 979	-	-	-	-	-	-	-	-	-	3 791 979
Correction of Error	(161 500)	-	-	-	-	(161 500)	-	-	-	-	-	-	-	-	-	(161 500)
Buildings	3 786 637	-	-	-	-	3 786 637	-	-	-	108 427	-	-	37 866	-	146 293	3 640 343
Infrastructure	38 606 183	-	-	5 093 466	-	43 699 649	-	-	-	6 833 795	-	-	931 269	-	7 765 064	35 934 585
Main: Roads	9 875 294	951 380	-	2 693 434	-	13 520 108	-	-	-	2 620 395	-	-	267 942	-	2 888 337	10 631 771
Balance Previously Reported	9 875 294	951 380	-	2 693 434	-	13 520 108	-	-	-	2 620 395	-	-	267 934	-	2 888 329	10 631 780
Correction of Error	-	-	-	-	-	-	-	-	-	-	-	-	8	-	8	(8)
Main: Waste Management	13 865 624	-	-	-	-	13 865 624	-	-	-	917 639	-	-	322 376	-	1 240 015	12 625 609
Main: Electricity	2 751 771	-	-	-	-	2 751 771	-	-	-	1 078 977	-	-	63 362	-	1 142 339	1 609 432
Main: Water	10 876 194	-	-	1 461 908	-	12 338 102	-	-	-	2 216 784	-	-	277 589	-	2 494 373	9 843 728
Taxi Ranks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in Progress	1 237 300	(951 380)	-	938 124	-	1 224 044	-	-	-	-	-	-	-	-	-	1 224 044
Balance Previously Reported	1 237 300	(951 380)	-	678 428	-	964 348	-	-	-	-	-	-	-	-	-	964 348
Correction of Error	-	-	-	259 697	-	259 697	-	-	-	-	-	-	-	-	-	259 697
Reservoirs/Tanks and Pumps	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	10 991 499	-	-	2 857 999	-	13 849 498	-	-	-	197 649	-	-	77 673	-	275 322	13 574 176
Recreation Grounds	281 784	2 305 100	-	2 857 999	-	5 444 883	-	-	-	7 038	-	-	2 283	-	9 321	5 435 563
Civic Buildings	961 600	-	-	-	-	961 600	-	-	-	29 649	-	-	9 616	-	39 265	922 335
Transfer Station	292 901	-	-	-	-	292 901	-	-	-	87 173	-	-	41 843	-	129 016	163 885
Libraries	1 177 450	-	-	-	-	1 177 450	-	-	-	36 305	-	-	11 775	-	48 080	1 129 371
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bus Terminals	78 670	-	-	-	-	78 670	-	-	-	2 426	-	-	787	-	3 213	75 457
Work in Progress	7 010 443	(2 305 100)	-	-	-	4 705 343	-	-	-	-	-	-	-	-	-	4 705 343
Cemetery	51 650	-	-	-	-	51 650	-	-	-	-	-	-	-	-	-	51 650
Museum	1 137 000	-	-	-	-	1 137 000	-	-	-	35 058	-	-	11 370	-	46 428	1 090 572
Lease Assets	239 671	-	-	52 248	-	291 919	-	-	-	37 328	-	-	58 389	-	95 717	196 202
Office Equipment	239 671	-	-	52 248	-	291 919	-	-	-	37 328	-	-	58 389	-	95 717	196 202
Balance Previously Reported	239 671	-	-	52 248	-	291 919	-	-	-	37 328	-	-	56 029	-	93 357	198 562
Correction of Error	-	-	-	-	-	-	-	-	-	-	-	-	2 360	-	2 360	(2 360)
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30 JUNE 2013

Reconciliation of Carrying Value

	Balance R	Transfers R	Cost of Error R	Additions R	Disposals R	Balance R	Balance R	Accumulated Impairments Additions R	Balance R	Opening Balance R	Transfers R	Accumulated Depreciation Errors R	Additions R	Disposals R	Balance R	Carrying Value R
Other Assets	4 158 960	-	-	612 192	-	4 771 153	-	-	-	1 434 329	-	-	518 172	-	1 952 501	2 818 652
Motor Vehicles	713 466	-	-	448 890	-	1 162 356	-	-	-	220 063	-	-	76 560	-	296 623	865 733
Balance Previously Reported	713 466			448 890	-	1 162 356	-	-	-	220 063	-	-	76 367	-	296 430	865 926
Correction of Error	-	-	-	-	-	-	-	-	-	-	-	-	192	-	192	(192)
Plant and Equipment	407 757	-	-	-	-	407 757	-	-	-	154 529	-	-	40 162	-	194 691	213 066
Balance Previously Reported	380 582	-	-	-	-	380 582	-	-	-	154 529	-	-	38 402	-	192 931	187 651
Correction of Error	27 175	-	-	-	-	27 175	-	-	-	-	-	-	1 760	-	1 760	25 415
Office Equipment	369 027	-	-	25 311	-	394 338	-	-	-	176 233	-	-	55 587	-	231 820	162 518
Balance Previously Reported	369 027			25 311	-	394 338	-	-	-	176 233	-	-	55 537	-	231 770	162 567
Correction of Error	-	-	-	-	-	-	-	-	-	-	-	-	49	-	49	(49)
Furniture and Equipment	606 885	-	-	29 826	-	636 711	-	-	-	214 595	-	-	87 385	-	301 980	334 731
Balance Previously Reported	594 528	-	-	29 826	-	624 355	-	-	-	214 595	-	-	85 829	-	300 424	323 931
Correction of Error	12 356	-	-	-	-	12 356	-	-	-	-	-	-	1 556	-	1 556	10 800
Loose Equipment	144 869	-	-	75 404	-	220 273	-	-	-	19 711	-	-	18 511	-	38 222	182 050
Balance Previously Reported	144 869			75 404	-	220 273	-	-	-	19 711	-	-	18 492	-	38 203	182 070
Correction of Error	-	-	-	-	-	-	-	-	-	-	-	-	20	-	20	(20)
Computer Equipment	798 065	-	-	32 761	-	830 826	-	-	-	333 153	-	-	153 336	-	486 489	344 337
Balance Previously Reported	798 065			32 761	-	830 826	-	-	-	333 153	-	-	153 767	-	486 920	343 906
Correction of Error	-	-	-	-	-	-	-	-	-	-	-	-	(431)	-	(431)	431
Specialised Vehicles	1 116 900	-	-	-	-	1 116 900	-	-	-	315 057	-	-	86 262	-	401 319	715 581
Balance Previously Reported	1 116 900			-	-	1 116 900	-	-	-	315 057	-	-	86 262	-	401 319	715 581
Correction of Error	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security Items	-			-	-	-	-	-	-	-	-	-	-	-	-	-
Fire Fighting Equipment	1 991	-	-	-	-	1 991	-	-	-	988	-	-	370	-	1 358	634
Balance Previously Reported	1 821	-	-	-	-	1 821	-	-	-	988	-	-	348	-	1 336	485
Correction of Error	170	-	-	-	-	170	-	-	-	-	-	-	21	-	21	149
61 413 429	-	-	-	8 615 905	-	70 029 334	-	-	-	8 611 528	-	-	1 623 369	-	10 234 897	59 794 437

13	CAPITALISED RESTORATION COST	2014	2013
		R	R
	Net Carrying amount at 1 July	451 866	69 375
	Cost	870 719	455 756
	Accumulated Depreciation	(406 718)	(375 565)
	Accumulated Impairments	(12 135)	(10 816)
	Acquisitions	3 092	414 963
	Depreciation for the year	(297 679)	(31 153)
	Impairment	(458)	(1 319)
	Net Carrying amount at 30 June	156 821	451 866
	Cost	873 811	870 719
	Accumulated Depreciation	(704 397)	(406 718)
	Accumulated Impairment	(12 593)	(12 135)
14	INVESTMENT PROPERTY	2014	2013
		R	R
	Net Carrying amount at 1 July	15 081 211	15 164 355
	Cost	15 164 355	15 164 355
	Class Transfer to Property, Plant and Equipment	(75 700)	-
	Accumulated Depreciation	(7 444)	(5 621)
	Balance previously reported	-	-
	Accumulated Depreciation: Correction of Error - note 34	-	-
	Depreciation for the year	(1 822)	(1 823)
	Impairment for the year	(1 154 445)	-
	Balance previously reported	-	-
	Correction of Depreciation for 2010/2011 - note 34	-	-
	Disposal	(66 500)	-
	Net Carrying amount at 30 June	13 858 444	15 156 911
	Cost	15 022 155	15 164 355
	Accumulated Depreciation	(9 266)	(7 444)
	Accumulated Impairment	(1 154 445)	-
	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.	2014	2013
		R	R
	There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.	279 907	201 208
	Revenue derived from the rental of investment property	279 907	201 208
15	INTANGIBLE ASSETS	2014	2013
		R	R
	Computer Software	91 017	129 211
	Net Carrying amount at 1 July	91 017	129 211
	Cost	239 059	237 458
	Accumulated Amortisation	(148 042)	(108 247)
	Additions	-	1 601
	Disposal	(1 012)	-
	Cost	(5 679)	-
	Accumulated Amortisation	4 667	-
	Amortisation	(21 535)	(39 795)
	Balance previously reported	-	(39 791)
	Correction of Depreciation for 2011/2012 - note 34	-	(4)
	Net Carrying amount at 30 June	68 470	91 017
	Cost	233 380	239 059
	Accumulated Amortisation	(164 910)	(148 042)

<u>Description</u>	<u>Remaining Amortisation Period</u>	<u>Carrying Value</u>	
		<u>2014</u> <u>R</u>	<u>2013</u> <u>R</u>
Microsoft Office and Windows software	4	68 470	91 017

No intangible asset were assted having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

16

INVENTORY

Consumable Stores	253 798	232 747
Electricity	137 007	74 966
Unsold Properties	219 420	219 420
Water – at cost	12 864	17 706
Total Inventory	623 089	544 839
Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
Consumable stores materials surpluses identified during the annual stores counts.	-	-
Inventory recognised as an expense during the year	-	-

17

TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity	1 082 129	1 447 068
Balance Previously Reported		1 453 180
Correction of Error - note 34		(6 112)
Water	3 041 182	2 391 453
Balance Previously Reported		2 413 857
Correction of Error - note 34		(22 403)
Refuse	1 605 309	1 187 508
Balance Previously Reported		-
Correction of Error - note 34		-
Sewerage	2 105 152	1 581 792
Balance Previously Reported	-	1 581 822
Correction of Error - note 34		(30)
Fire Services	8 614	10 441
Balance Previously Reported		10 452
Correction of Error - note 34		(10)
Rent	114 475	52 760
Balance Previously Reported		-
Correction of Error - note 34		-
Debtors with credit balances	460 607	422 815
Total Receivables from Exchange Transactions	8 417 467	7 093 838
Less: Allowance for Doubtful Debts	(6 492 535)	(4 959 803)
Total Net Receivables from Exchange Transactions	1 924 932	2 134 035

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

	2014 R	2013 R
Current (0 - 30 days)	415 247	392 848
31 - 60 Days	97 790	104 436
61 - 90 Days	56 316	78 210
+ 90 Days	512 776	877 686
Total	1 082 129	1 453 180

(Water): Ageing

Current (0 - 30 days)	210 104	346 924
31 - 60 Days	136 914	172 234
61 - 90 Days	168 681	178 722
+ 90 Days	2 525 483	1 715 977
Total	3 041 182	2 413 857

(Refuse): Ageing

Current (0 - 30 days)	116 404	183 456
31 - 60 Days	72 305	67 925
61 - 90 Days	66 872	56 026
+ 90 Days	1 349 728	880 101
Total	1 605 309	1 187 508

(Sewerage): Ageing

Current (0 - 30 days)	186 549	278 109
31 - 60 Days	104 999	107 640
61 - 90 Days	97 145	84 027
+ 90 Days	1 716 459	1 112 045
Total	2 105 152	1 581 822

(Other): Ageing

	2014 R	2013 R
Current (0 - 30 days)	30 866	4 495
31 - 60 Days	5 378	5 857
61 - 90 Days	4 179	100
+ 90 Days	82 666	-
Total	123 089	10 452

(Total): Ageing

Current (0 - 30 days)	959 170	1 205 832
31 - 60 Days	417 386	458 092
61 - 90 Days	393 193	397 085
+ 90 Days	6 187 111	4 585 809
Total	7 956 860	6 646 819

Reconciliation of Provision for Bad Debts

Balance at beginning of year	4 959 803	3 741 596
Contribution to provision/(Reversal of provision)	1 610 165	2 828 429
Written off during the year	(77 433)	(1 610 222)
Balance at end of year	6 492 535	4 959 803

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

18 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2014 R	2013 R
Rates	583 337	618 625
Balance Previously Reported	-	625 970
Correction of Error - note 34	-	(7 345)
Other Receivables	11 725 092	172 599
Other Debtors	11 679 934	172 599
Balance Previously Reported		-
Correction of Error - note 34		-
Suspense Debtors	45 158	-
Total Receivables from Non-Exchange Transactions	12 308 429	791 224
Less: Allowance for Doubtful Debts	(12 217 064)	(660 360)
Total Net Receivables from Non-Exchange Transactions	91 365	130 864

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

Current (0 - 30 days)	139 341	110 216
31 - 60 Days	35 141	37 117
61 - 90 Days	20 716	28 264
+ 90 Days	388 139	443 028
Total	583 337	618 625

Reconciliation of Provision for Bad Debts

Balance at beginning of year	660 360	473 196
Contribution to provision/(Reversal of provision)	11 556 704	187 164
Balance at end of year	12 217 064	660 360

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

19 OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor (Asset)

	R	R
Balance on 1 July	56 158	40 801
Movement during the year	8 218	15 357
Balance on 30 June	64 376	56 158

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	194 528	194 617
1 to 5 Years	299 746	457 511
More than 5 Years	-	-
Total Operating Lease Arrangements	494 274	652 128

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for previous ranging until 2018.

20

CASH AND CASH EQUIVALENTS**Assets**

	2014 R	2013 R
Call Investments Deposits	9 338 985	2 380 777
Primary Bank Account	359 654	-
Traffic Bank Account	54 221	638 897
Cash Floats	1 700	1 700

Total Cash and Cash Equivalents - Assets

9 754 560	3 021 374
------------------	------------------

Liabilities

Primary Bank Account	-	(528 316)
----------------------	---	-----------

Total Cash and Cash Equivalents - Liabilities

-	(528 316)
----------	------------------

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

A Bank Guarantee is retained for ESKOM by ABSA Bank

9 960 9 960

The municipality has the following bank accounts:

Current Accounts

Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account):	359 654	(528 316)
Prince Albert ABSA Bank - Account Number 4063942217 (Traffic Account):	54 221	638 897
Prince Albert ABSA Bank - Account Number 7064316839 (Call Account):	-	2 380 777
Prince Albert ABSA Bank - Account Number 9287334653 (Call Account):	9 338 985	-

9 752 860	2 491 358
------------------	------------------

Traffic account is cleared daily to Primary Bank Account.

	2014 R	2013 R
Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account):		
Cash book balance at beginning of year	(528 316)	(77 780)
Cash book balance at end of year	359 654	(528 316)

Bank statement balance at beginning of year
Bank statement balance at end of year

51 400	3 107 476
1 683 142	51 400

Prince Albert ABSA Bank - Account Number 4063942217 (Traffic Account):

Cash book balance at beginning of year	638 897	5 466
Cash book balance at end of year	54 221	638 897

Bank statement balance at beginning of year
Bank statement balance at end of year

638 897	5 466
54 221	638 897

Prince Albert ABSA Bank - Account Number 7064316839 (Call Account):

Cash book balance at beginning of year	2 380 777	3 566 368
Cash book balance at end of year	-	2 380 777

Bank statement balance at beginning of year
Bank statement balance at end of year

2 367 579	3 566 368
	2 367 579

Prince Albert ABSA Bank - Account Number 9287334653 (Call Account):

Cash book balance at beginning of year	-	-
Cash book balance at end of year	9 338 985	-

Bank statement balance at beginning of year
Bank statement balance at end of year

-	-
9 295 049	-

21

PROPERTY RATES**Actual****Rateable Land and Buildings**Residential, Commercial Property, State
Correction of Error - note 34

Less: Rebates

Total Assessment Rates**2014
R****2013
R**

2 603 020

2 438 519

2 603 020

2 438 519

-

-

(474 372)

(471 968)

2 128 647**1 966 551****Valuations - 1 JULY 2013****Rateable Land and Buildings**

Leeu-Gamka: Land and Buildings

Klaarstroom: Land and Buildings

Prince Albert: Land and Buildings

Rural: Land and Buildings

Welgemoed: Land and Buildings

Total Rateable Valuation

17 072 800

15 673 220

9 762 600

8 418 960

582 957 850

542 628 418

673 896 100

651 913 303

8 809 500

8 721 515

1 292 498 850**1 227 355 416**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013.

Rates:

Prince Albert Urban Area

Leeu Gamka Scheme Houses

Leeu Gamka Private

Welgemoed Area

Klaarstroom Scheme Houses

Klaarstroom East

Rural Area

**2014
c/R****2013
c/R**

0.340

0.340

0.340

0.340

0.340

0.340

0.306

0.306

0.340

0.340

0.340

0.340

0.0855

0.0855

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

22

GOVERNMENT GRANTS AND SUBSIDIES**Unconditional Grants**

Equitable Share

Conditional Grants

Grants and donations

Total Government Grants and Subsidies

Government Grants and Subsidies - Capital

Government Grants and Subsidies - Operating

**2014
R****2013
R****11 661 000****10 586 000**

11 661 000

10 586 000

30 283 161**13 078 394**

30 283 161

13 078 394

41 944 161**23 664 394**

19 362 912

7 740 609

22 581 250

15 923 786

41 944 161**23 664 394**

The municipality does not expect any significant changes to the level of grants.

22.1

Equitable share

Grants received

Conditions met - Operating

Conditions still to be met

11 661 000

10 586 000

(11 661 000)

(10 586 000)

-

-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

22.2	Local Government Financial Management Grant (FMG)	2014 R	2013 R
	Opening balance	-	(36 000)
	Grants received	1 450 000	1 250 000
	Repaid to National Revenue Fund	-	-
	VAT on conditional grants	-	-
	Conditions met - Operating	(1 450 000)	(1 214 000)
	Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

22.3	Municipal Systems Improvement Grant		
	Opening balance	-	(78)
	Grants received	890 000	800 000
	Repaid to National Revenue Fund	-	-
	VAT on conditional grants	-	-
	Conditions met - Operating	(890 000)	(799 922)
	Conditions met - Capital	-	-
	Conditions still to be met	-	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

22.4	Municipal Infrastructure Grant (MIG)	2014 R	2013 R
	Opening balance	-	174 482
	Grants received	8 125 000	8 558 000
	VAT on conditional grants	(347 940)	(559 041)
	Conditions met - Operating	(404 012)	(432 832)
	Conditions met - Capital	(7 373 048)	(7 740 609)
	Grant expenditure to be recovered	(0)	-

The grant was used to upgrade infrastructure in previously disadvantaged areas.

22.5	Housing Grants		
	Opening balance	726 808	870 000
	Grants received	22 828 033	-
	VAT on conditional grants	(390 388)	-
	Conditions met - Operating	(4 197 333)	(143 192)
	Conditions met - Capital	(10 106 369)	-
	Grant expenditure to be recovered	8 860 751	726 808

Housing grants was utilised for the development of erven and the erection of top structures.

22.6	Integrated National Electrification Grant		
	Opening balance	-	-
	Grants received	-	-
	Conditions still to be met	-	-

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

22.7	Other Grants		
	Opening balance	2 594 411	430 384
	Grants received	3 963 867	4 911 867
	VAT on conditional grants	-	-
	Conditions met - Operating	(3 630 964)	(2 747 840)
	Conditions met - Capital	(1 883 495)	-
	Conditions still to be met	1 043 819	2 594 411

Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)

		2014 R	2013 R
22.8	Total Grants		
	Opening balance	3 321 219	1 438 788
	Grants received	48 917 900	26 105 867
	VAT on conditional grants	(738 328)	(559 041)
	Repaid to National Revenue Fund	-	-
	Conditions met - Operating	(22 233 309)	(15 923 786)
	Conditions met - Capital	(19 362 912)	(7 740 609)
		9 904 570	3 321 219
	Conditions still to be met/(Grant expenditure to be recovered)		
	Disclosed as follows:		
	Unspent Conditional Government Grants and Receipts	9 904 570	3 321 219
	Unpaid Conditional Government Grants and Receipts	-	-
		9 904 570	3 321 219
23	SERVICE CHARGES		
	Electricity	9 127 217	8 907 571
	Water	3 076 805	2 835 569
	Refuse removal	1 457 858	1 327 166
	Sewerage and Sanitation Charges	2 473 218	2 127 040
		16 135 098	15 197 346
	Correction of Error - Note 34.2		(28 556)
	Less: Rebates	(2 258 822)	(2 012 684)
	Total Service Charges	13 876 276	13 156 106
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
24	OTHER INCOME		
	Sundry income	32 965	34 000
	Graveyard	11 423	8 641
	Building plans	68 324	49 582
	Photostats and Faxes	2 441	1 435
	VAT on Grants	738 328	559 041
	Business Licences	-	511
	Tender Documents	12 632	5 307
	Training LGSETA	27 192	57 322
	Refuse Bags	222	400
	Town Planning Fees	26 937	18 092
	Library Lost Books And Fines	5 375	2 572
	Subsidy	-	34 877
	Postage Province	-	2 992
	Valuation Certificates	8 545	6 364
	Total Other Income	934 383	781 136
	Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) an fees for items not included under service charges (camping, fire brigade and impounding fees)		
25	EMPLOYEE RELATED COSTS		
	Bonus	537 212	427 181
	Contributions for UIF, pensions and medical aids	1 120 785	1 097 068
	Housing Subsidy	11 311	26 924
	Leave Reserve Fund	135 009	342 936
	Long service awards	56 576	8 042
	Increase in Provision for Bonuses	124 449	84 282
	Contribution to provision - Post Retirement Medical - Note 6	139 395	117 342
	Overtime	704 513	740 725
	Salaries and Wages	10 030 968	9 849 960
	Travel, motor car, telephone, assistance and other allowances	739 043	773 258
	Total Employee Related Costs	13 599 262	13 467 718

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2014 R	2013 R
Remuneration of the Municipal Manager		
Annual Remuneration	845 503	865 872
Leave	-	35 443
Car Allowance	104 640	104 640
Other Allowances	18 000	17 500
Subsistence Allowance	143 540	153 417
Total	1 111 683	1 176 872
Remuneration of the Director Financial Services		
Annual Remuneration	655 212	469 700
Bonus	30 000	-
Car Allowance	96 000	64 000
Other Allowances	12 000	10 800
Subsistence Allowance	47 004	47 124
Total	840 216	591 624
Remuneration of the Director Strategic Services		
Annual Remuneration	-	643 125
Other Allowances	-	12 000
Car Allowance	-	99 400
Subsistence Allowance	-	33 714
Total	-	788 239

26 REMUNERATION OF COUNCILLORS

Mayor	489 936	482 435
Deputy Mayor	214 590	216 574
Speaker	418 800	403 472
Councillors	591 316	596 780
Councillors' Allowances	594 821	484 551
Total Councillors' Remuneration	2 309 463	2 183 812
In-kind Benefits		

The Executive Mayor and all the committee members are part-time. The Mayor are provided with secretarial support and an office at the cost of the Council.

27 DEBT IMPAIRMENT

Trade Receivables from exchange transactions - Note 17	1 610 165	2 641 154
Trade Receivables from non-exchange transactions - Note 18	11 556 703	241 199
Total Contribution to/(Reversal of) Impairment Provision	13 166 869	2 882 353

28 DEPRECIATION AND AMORTISATION

Property Plant and Equipment	1 897 397	1 623 369
Balance Previously Reported		1 617 833
Correction of Error - note 34		5 536
Investment Property	1 822	1 823
Balance Previously Reported		-
Correction of Error - note 34		-
Intangible Assets	21 535	39 795
Balance Previously Reported		39 791
Correction of Error - note 34		4
Landfill Sites	297 679	31 153
	2 218 432	1 696 140

29 IMPAIRMENTS

Capitalised Restoration Costs	458	1 319
Investment Property	1 154 445	-
PPE	2 709 988	-
	3 864 891	1 319

		2014 R	2013 R
30	FINANCE CHARGES		
	Landfill Sites	94 373	62 352
	Finance leases	6 514	9 096
	Post Employment Health	324 397	271 573
	Total finance charges	425 284	343 021
31	BULK PURCHASES		
	Electricity	7 630 228	8 094 812
	Total Bulk Purchases	7 630 228	8 094 812
32	GENERAL EXPENSES		
	Advertisements	247 720	48 253
	Audit Fees	2 056 120	1 745 828
	Bank Charges	176 641	173 090
	Computer Expenses	550 160	533 477
	Cleaning Materials	26 802	24 687
	Community Development Holiday Program	36 892	40 994
	Commission Pre-Paid Electricity	154 984	122 221
	Camera Fines	140 063	178 146
	Deed of Transfer	12 885	7 513
	Discretionary Fund: Donations	230 691	115 037
	Electricity	32 980	163 627
	Electricity Cost of Sales	1 894 178	-
	Entertainment Cost	31 697	44 980
	Fuel and Oil	629 482	536 344
	Insurance General	125 684	106 506
	LED	42 615	142 633
	Legal Fees	41 378	37 539
	Licences	38 914	34 163
	Machine Rent	18 667	44 792
	Material	477 398	416 832
	Membership Fees and Levies	550 000	300 000
	Office Rental CW's	6 000	36 000
	Office Necessaries	61 829	152 229
	Olive Festival	45 387	30 000
	Postage	146 180	29 462
	Printing and Stationery	131 197	162 908
	Refuse Bags	52 658	62 080
	Remuneration Ward Committees	169 815	156 854
	Rehabilitation Refuse Sites Expensed	1 173	149 476
	Rent: Post Box	1 089	903
	Street Lights	61 996	75 120
	Valuation Costs	189 002	253 244
	Telephone and Postage	387 890	493 612
	Training Charges SDL	85 928	67 982
	Travel and Subsistence	1 266 078	1 558 108
	Relocation Costs	54 395	-
	Water	-	2 874
	Water Cost of Sales	109 586	
	Water Purification: Chlorine	57 880	84 829
	Water Research: Levy	22 924	-
	Workman's Compensation	70 226	71 557
	Training	15 204	19 975
	Wreath and Bouquet	39	899
	General Expenses	10 452 429	8 224 775

33	DISCLOSURE IN TERMS OF MFMA 123 (1) (c)	2014	2013
		R	R
	Operating grant expenditure per vote		
	Executive & Council	585 819	100 201
	Budget & Treasury	2 340 000	2 013 922
	Community & Social Services	2 132 791	1 720 789
	Housing	4 197 333	143 192
	Road Transport	751 953	549 337
	Total Operating grant expenditure	10 007 895	4 527 441
34	CORRECTION OF ERRORS IN TERMS OF GRAP 3		
		2013	2012
		R	R
34.1	Accumulated Surplus		
	Balance previously reported	67 832 127	64 853 743
	Service charges incorrectly accrued Refer note 34.3	(28 556)	-
	Assessment Rates incorrectly accrued Refer note 34.4	(7 085)	-
	Interest Earned - outstanding debtors	(260)	-
	Recognition of Capital Expenditure WIP Prior Year Note	259 697	-
	Disposal of Asset Erf 825 Prior Years Note	(161 500)	(161 500)
	Accumulated Amortisation Intangible Assets Prior Years - Note 34.9	4	4
	Accumulated Depreciation Infrastructure Assets Prior Years - note 34.9	(8)	-
	Accumulated Depreciation Lease Assets Prior Years - Note 34.9	(2 360)	-
	Accumulated Depreciation Other Assets opening balance - Note 34.9	(3 168)	-
	First time recognition PPE Prior Years - Note 34.7	39 702	39 702
	Total	67 928 593	64 731 949
34.2	Statement of Financial Performance		
	Balance previously reported	2 172 565	
	Service Charges correction of error - Note 34.3	(28 556)	
	Property Taxes correction of error - Note 34.4	(7 085)	
	Interest Earned - outstanding debtors	(260)	
	Recognition of Capital Expenditure WIP Prior Year Note 34.7	259 697	
	Operating grant expenditure incorrectly classified	4 239 792	
	Employee related cost incorrectly classified as operating grant expenditure	(2 439 988)	
	Computer expenses incorrectly classified as operating grant expenditure	(250 150)	
	Travel expenses incorrectly classified as operating grant expenditure	(134 953)	
	Discretionary funds incorrectly classified as operating grant expenditure	(29 950)	
	Contracted services incorrectly classified as operating grant expenditure	(1 367 757)	
	Material incorrectly classified as operating grant expenditure	(16 994)	
	Accumulated Depreciation Infrastructure Assets Prior Years - Note 34.9	(8)	
	Accumulated Depreciation Lease Assets Prior Years - Note 34.9	(2 364)	
	Accumulated Depreciation Other Assets opening balance - Note 34.9	(3 168)	
	Total	2 390 821	
34.3	Trade Receivables from Exchange Transactions		
	Balance previously reported	7 122 393	
	Service charges incorrectly levied during 2010/2011 - Note 34.1	(28 556)	
	Restated Balance	7 093 837	

34.4	Other Receivables from Non-Exchange Transactions	2012 R
	Balance previously reported	625 970
	Property Rates incorrectly levied during 2010/2011 - Note 34.1	(7 345)
	Restated Balance	618 625
34.5	Trade Payables from Exchange Transactions	
	Balance previously reported	2 024 807
	Correction of Workman's Compensation - Note 34.1	13 822
	Restated Balance	2 038 629
34.6	Property, Plant and Equipment - Cost	
	Balance previously reported	61 535 227
	Disposal of Asset Erf 825 Prior Years Note	(161 500)
	First-time recognition of assets found during asset count - Note 34.1	39 702
	Restated Balance	61 413 429
34.7	Property, Plant and Equipment - Additions	
	Balance previously reported	8 356 208
	Recognition of Capital Expenditure WIP Prior Year Note	259 697
	Restated Balance	8 615 905
34.8	Property, Plant and Equipment - Accumulated Depreciation	
	Balance previously reported	1 617 833
	First-time recognition of assets found during asset count Opening Balance - Note 34.1	5 536
	Restated Balance	1 623 369
34.9	Long-term Liabilities	
	Balance previously reported	177 866
	Restated Balance	177 866
34.10	Intangible Assets - Accumulated Depreciation	
	Balance previously reported	39 791
	Correction of Accumulated Depreciation 2011/2012 - Note 34.1	4
	Restated Balance	39 795
34.11	Investment Property - Accumulated Depreciation	
	Balance previously reported	7 444
	Restated Balance	7 444

	2014 R	2013 R
35 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
(Deficit) / Surplus for the year	12 314 144	2 172 565
Adjustments for:		
Depreciation	2 196 897	1 650 805
Amortisation of Intangible Assets	21 535	39 795
Loss on disposal of PPE	56 499	-
Grants received	48 917 900	26 105 867
Grants recognised as revenue	(42 334 549)	(24 223 436)
Debt Impairment	13 166 869	3 015 593
Bad Debts Written off	(77 433)	(1 610 222)
Contribution to provision	98 638	626 792
Contribution to staff leave	135 009	342 936
Staff leave expenditure incurred	(88 678)	(190 655)
Contribution to staff bonus	124 449	84 282
Staff bonus expenditure incurred	-	(53 343)
Contribution from/to employee benefits	289 085	215 930
Actuarial (Gains)/Loss	(418 226)	300 630
Impairment written off	3 864 891	1 319
Operating lease income accrued	(8 218)	(15 357)
Operating (Deficit)/Surplus before changes in working capital	38 258 813	8 463 503
Changes in working capital	(10 588 037)	(701 415)
(Decrease)/Increase in Trade and Other Payables	3 750 862	(432 882)
(Decrease) in Unspent Conditional Government Grants and Receipts	-	-
Increase/(Decrease) in Taxes	(1 419 815)	(251 651)
(Increase) in Inventory	(78 250)	113 215
(Increase) in Trade and other receivables	(12 840 834)	(130 098)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	-	-
Cash (absorbed)/generated by operations	27 670 775	7 762 088
36 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 20	9 338 985	2 380 777
Cash Floats - Note 20	1 700	1 700
Bank - Note 20	54 221	638 897
Bank overdraft - Note 20	-	(528 316)
Total cash and cash equivalents	9 394 906	2 493 058
37 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 36	9 394 906	2 493 058
Less:	9 394 906	2 493 058
	9 904 570	3 321 219
Unspent Committed Conditional Grants - Note 10	9 904 570	3 321 219
VAT - Note 11	-	-
Resources available for working capital requirements	(509 664)	(828 161)
38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 2	101 926	177 866
Used to finance property, plant and equipment - at cost	(101 926)	(177 866)
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

39 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

39.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

	2014 R	2013 R
Opening balance	24 230 236	17 990 623
Unauthorised expenditure current year - capital	6 090 033	484 423
Unauthorised expenditure current year - operating	17 362 969	4 927 028
Unauthorised expenditure current year - Unspent grants utilised to fund operating expenditure	509 664	828 162
Written off by council	-	-
Unauthorised expenditure awaiting authorisation	48 192 901	24 230 236

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budget	None

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 (%)
Unauthorised expenditure current year - operating				
Vote 1 - EXECUTIVE AND COUNCIL	4 445 464	4 523 470	(78 006)	-2%
Vote 2 - DIRECTOR FINANCE	14 812 633	16 425 452	(1 612 819)	-10%
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	4 870 448	5 208 309	(337 861)	-6%
Vote 4 - DIRECTOR TECHNICAL SERVICES	37 080 454	19 717 485	17 362 969	88%
	61 208 998	45 874 716	15 334 282	33%
	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 (%)
Unauthorised expenditure current year - capital				
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-	0%
Vote 2 - DIRECTOR FINANCE	-	-	-	0%
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	297 233	10 000 000	(9 702 767)	-97%
Vote 4 - DIRECTOR TECHNICAL SERVICES	20 108 033	14 018 000	6 090 033	43%
	20 405 266	24 018 000	(3 612 734)	-15%

	2014	2013
	R	R
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
39.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	-	350 718
Fruitless and wasteful expenditure current year	137 240	450 245
Written off by council	(137 240)	(800 963)
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	-	-
	137 240	450 245
	2014	2013
	R	R
39.3 Irregular expenditure		
Opening balance	7 016 090	7 016 090
Irregular expenditure current year	-	-
Written off by council	-	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	7 016 090	7 016 090
	2014	2013
	R	R
39.4 Material Losses		
Water distribution losses		
- Kilo litres disinfected/purified/purchased	525 678	470 656
- Kilo litres lost during distribution	43 392	15 799
- Percentage lost during distribution	8.25%	3.36%
- Value of distribution losses	R 198 735	R 103 641
Electricity distribution losses		
- Units purchased (Kwh)	10 570 777	10 211 333
- Units lost during distribution (Kwh)	1 859 766	1 274 328
- Percentage lost during distribution	17.59%	12.48%
- Value of distribution losses	R 1 670 256	R 981 233

		2014 R	2013 R
40	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
40.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>		
	Opening balance	100 000	-
	Council subscriptions	450 000	300 000
	Amount paid - current year	(300 000)	(200 000)
	Amount paid - previous years	-	-
	Balance unpaid (included in creditors)	250 000	100 000
		2014 R	2013 R
40.2	<u>Audit fees - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year audit fee	2 056 120	1 745 828
	External Audit - Auditor-General	2 056 120	1 745 828
	Internal Audit	-	-
	Audit Committee	-	-
	Amount paid - current year	(2 056 120)	(1 745 828)
	Amount paid - previous year	-	-
	Balance unpaid (included in creditors)	-	-
40.3	<u>VAT - [MFMA 125 (1)(b)]</u>		
	Opening balance	458 903	497 613
	VAT inputs	1 938 625	3 175 587
	VAT outputs	(326 382)	(1 838 016)
	Paid	247 096	15 217
	Received	(458 903)	(1 391 498)
	Closing balance - Receivable	1 859 339	458 903
	Vat in suspense due to cash basis of accounting		
	Input VAT	2 145 108	540 832
	Output VAT	(285 769)	(101 309)
	Receivable	1 859 339	439 524
		2014 R	2013 R
40.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	48 564
	Current year payroll deductions and Council Contributions	2 023 300	1 997 694
	Amount paid - current year	-	(2 046 258)
	Balance unpaid (included in creditors)	2 023 300	-
40.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	1 916 874	1 473 220
	Amount paid - current year	-	(1 473 220)
	Balance unpaid (included in creditors)	1 916 874	-
40.6	<u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u>		
	The following Councillors had arrear accounts for more than 90 days as at 30 June 2014:		
		2014 R Outstanding	2013 R Outstanding
		-	-
		-	-
	Total Councillor Arrear Consumer Accounts	-	-

40.7 Non-compliance with Chapter 14 of the Municipal Finance Management Act

Non-compliance to the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Various Suppliers	12 906	428 250	-	-
	<u>12 906</u>	<u>428 250</u>	<u>-</u>	<u>-</u>

The SCM deviations were condoned by Council at its monthly meetings held.

The council on two occasions submitted the section 71 reports late namely: December 2011 and April 2012.

41**CAPITAL COMMITMENTS****Commitments in respect of capital expenditure:**

Approved and contracted for:

2014 R	2013 R
10 006 496	1 783 072

Total commitments consist out of the following:

Thusong Centre	3 105	-
Infrastructure and Sports Fields	1 040 713	878 398
Leeu Gamka Housing	8 860 751	726 808
Finance Leases	101 926	177 866
	<u>10 006 496</u>	<u>1 783 072</u>

This expenditure will be financed from:

Government Grants	9 904 570	1 605 206
Operating Budget	101 926	177 866
	<u>10 006 496</u>	<u>1 783 072</u>

2014 R	2013 R
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42**FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2012 - 0.5%) Increase in interest rates	96 509	51 382
0.5% (2012 - 0.5%) Decrease in interest rates	(48 255)	(25 691)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 17 and 18 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 17 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

	2014 %	2014 R	2013 %	2013 R
<u>Non-Exchange Debtors</u>				
Rates	0.00%	139 341	0.00%	110 216
<u>Exchange Debtors</u>				
Electricity	6.40%	415 247	8.46%	392 848
Water	3.24%	210 104	7.47%	346 924
Refuse	1.79%	116 404	3.95%	183 456
Sewerage	2.87%	186 549	5.99%	278 109
Other	0.48%	30 866	0.10%	4 495
	14.77%	959 170	25.96%	1 205 832

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 17 and 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2014 %	2014 R	2013 %	2013 R
Rates	5.86%	716 211	100.00%	660 360
Traffic Fines	94.14%	11 500 853		
	100.00%	12 217 063	100.00%	660 360
<u>Exchange Debtors</u>				
Electricity	9.30%	603 697	21.79%	1 011 800
Water	39.04%	2 534 507	36.19%	1 680 878
Refuse	21.15%	1 372 889	17.80%	826 799
Sewerage	26.63%	1 729 055	23.72%	1 101 572
Other	3.89%	252 387	0.50%	23 249
	100.00%	6 492 536	100%	4 644 298

The provision for bad debts could be allocated between the different categories of debtors as follows:

	2014 %	2014 R	2013 %	2013 R
Government	0.00%	-	0.00%	-
Industrial	2.48%	123 003	2.48%	80 471
Municipal	0.00%	-	0.00%	-
Residential	96.48%	4 785 219	96.48%	3 130 596
Other	1.04%	51 582	1.03%	33 747
	100.00%	4 959 804	100%	3 741 596

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

	2014 R	2013 R
Financial assets exposed to credit risk at year end are as follows:		
Trade receivables and other receivables	2 016 297	2 264 898
Cash and Cash Equivalents	9 754 560	3 021 374
Unpaid conditional grants and subsidies	-	-
	<u>11 770 857</u>	<u>5 286 272</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an on-going review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2014				
Non-Current Provisions	1 461 012	-	-	642 055
Capital repayments	1 559 650	-	-	642 055
Interest	98 638	-	-	-
Long Term liabilities	57 451	44 475	-	-
Capital repayments	58 509	48 073	-	-
Interest	1 058	3 598	-	-
Trade and Other Payables	5 888 742	-	-	-
Unspent conditional government grants and receipts	9 904 570	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>17 311 775</u>	<u>44 475</u>	<u>-</u>	<u>642 055</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2013				
Non-Current Provisions	1 392 488	-	-	611 941
Capital repayments	2 019 280	-	-	611 941
Interest	626 792	-	-	-
Long Term liabilities	63 610	114 256	-	-
Capital repayments	70 181	120 014	-	-
Interest	6 571	5 758	-	-
Trade and Other Payables	2 137 880	-	-	-
Unspent conditional government grants and receipts	3 321 219	-	-	-
Cash and Cash Equivalents	528 316	-	-	-
	<u>7 443 514</u>	<u>114 256</u>	<u>-</u>	<u>611 941</u>

		2014 R	2013 R	
43	FINANCIAL INSTRUMENTS			
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows: The fair value of financial instruments approximates the amortised costs as reflected below.			
43.1	<u>Financial Assets</u>			
	<u>Classification</u>			
	Consumer Debtors			
	Trade receivables from exchange transactions	Financial instruments at amortised cost	1 924 932	2 134 034
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	9 338 985	2 380 777
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	413 875	638 897
	Cash Floats and Advances	Financial instruments at amortised cost	1 700	1 700
			11 679 492	5 155 408
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost		11 679 492	5 155 408
	At amortised cost		11 679 492	5 155 408
	FINANCIAL INSTRUMENTS (CONTINUE)			
43.2	<u>Financial Liability</u>			
	<u>Classification</u>			
	Long-term Liabilities			
	Capitalised Lease Liability	Financial instruments at amortised cost	47 015	120 014
	Trade Payables			
	Trade creditors	Financial instruments at amortised cost	4 778 118	1 272 681
	Unidentified deposits	Financial instruments at amortised cost	-	-
	Rent		-	-
	Debtors with credit balances		460 607	422 815
	Retentions	Financial instruments at amortised cost	648 522	440 889
	Deposits	Financial instruments at amortised cost	1 495	1 495
	Other	Financial instruments at amortised cost	-	-
	Current Portion of Long-term Liabilities			
	Capitalised Lease Liability	Financial instruments at amortised cost	54 911	57 852
			5 990 668	2 315 746
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		5 990 668	2 315 746
44	EVENTS AFTER THE REPORTING DATE			
	The municipality has no events after reporting date during the financial year ended 2013/2014.			

45 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

46 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

47 CONTINGENT LIABILITY**Schedule of contingent liabilities**

<u>Name of Claimant</u>	<u>Nature of Liability</u>	<u>Estimated Effect</u>	<u>Possibility of Reimbursement</u>
Sherpa	Claim for damages	400 000	Unknown
Claim for outstanding payments termination of traffic contract. The municipality's attorneys are disputing the claim			
AKP Trading 33 (Pty) Ltd	Claim for damages	1 200 000	Unknown
Subcontractor of Sherpa claiming for intellectual property that was on a stolen note book. The municipality's attorneys are disputing the claim			
Markotter Attorneys	Legal Costs	30 000	Unknown
Wasted costs related to incorrect information supplied related to collections			

48 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

48.1 Related Party Transactions

	Rates - Levied 1 Jul 12 - 30 Jun 13	Service - Levied 1 Jul 12-30 Jun 13	Rates - Levied 1 Jul 13 - 30 Jun 14	Service - Levied 1 Jul 13-30 Jun 14
Year ended 30 JUNE 2014				
Councillors				
Councillor G. Lottering	161	2 987	154	3 379
Councillor N.S. Abrahams	59	1 831	53	2 498
Councillor C. Stols	Tenant	1 718	Tenant	-
Councillor DS Rennie	-	-	3 009	6 617
Councillor C.D. Bower	3378	23 137	913	5 789
Councillor A.L. Rabie	2258	16 838	2 469	12 219
Councillor I.J. Windvogel	62	3 081	117	4 421
Municipal Manager and Section 57 Employees				
H Mettler	Tenant	11 981	Tenant	1 307
J.J. van der Westhuizen	Tenant	1 339	Tenant	524

The rates, service charges and other charges are in accordance with approved tariffs that were advertised

48.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

48.3 Compensation of key management personnel

The compensation of key management personnel is set out in note to the Annual Financial Statements.

48.4 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

None

APPENDIX A - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

EXTERNAL LOANS	Rate	Serial Number	Redeemable	Balance at 30 JUNE 2013	Balance at 30 JUNE 2013 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2014
ANNUITY LOANS								
						-		-
Total Annuity Loans				-	-	-	-	-
LEASE LIABILITY								
Minota B501 Copier	6.36%	5041004826	30/06/2016	61 876	61 876	-	18 371	43 505
Minolta B283	6.36%	F041005111	31/07/2016	31 021	31 021	-	9 538	21 483
Minolta C280	6.36%	D042005385	30/09/2015	44 079	44 079	-	18 816	25 263
Minolta B250	6.36%	21206422	30/09/2014	3 880	3 880	-	3 090	790
7 Tablets	0.00%	Samsung	31/12/2014	37 009	37 009	-	26 124	10 885
TOTAL EXTERNAL LOANS				177 866	177 866	-	75 939	101 926

APPENDIX B - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 JUNE 2013	Correction of error	Balance 30 JUNE 2013	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	VAT on Grants	VAT Recognised	Repaid to National Revenue Fund	Balance 30 June 2014
UNSPENT AND UNPAID GOVERNMENT GRANTS	R	R	R	R	R	R				R
<u>National Government Grants</u>										
Equitable Share	-	-	-	11 661 000	11 661 000	-				-
Local Government Financial Management Grant	-	-	-	1 450 000	1 450 000	-			-	-
Municipal Infrastructure Grant	-	-	-	8 125 000	404 012	7 373 048	-	347 940	-	-
Municipal Systems Improvement Grant	-	-	-	890 000	890 000	-			-	-
Public Transport Infrastructure	1 883 495	-	1 883 495	-	-	1 883 495			-	-
Integrated National Electrification Program	-	-	-	-	-	-			-	-
Financial Management Improvement Grant	299 799	-	299 799	813 312	440 819	-			-	672 292
Total National Government Grants	2 183 294	-	2 183 294	22 939 312	14 845 831	9 256 543	-	347 940	-	672 292
<u>Provincial Government Grants</u>										
Sport & Recreation	-	-	-	200 000	-	-				200 000
EPWP	-	-	-	1 431 200	1 431 200	-				-
EPWP District Mun.	-	-	-	162 000	162 000	-				-
CDW	-	-	-	76 600	76 600	-				-
Thusong Centre	411 117	-	411 117	-	408 012	-		-		3 105
SDBIP	-	-	-	150 000	-	-				150 000
INTERNAL AUDIT	-	-	-	150 000	131 579	-				18 421
Funiral Madiba	-	-	-	145 000	145 000	-				-
Library Grant	-	-	-	835 755	835 755	-				-
Total Provincial Government Grants	411 117	-	411 117	3 150 555	3 190 145	-	-	-	-	371 527
<u>Other Grant Providers</u>										
Taxi Rank	-	-	-	-	-	-				-
Remuniration Ward Committee Members	-	-	-	-	-	-				-
Low Cost Housing	726 808	-	726 808	22 828 033	4 197 333	10 106 369		390 388		8 860 751
Capital Replacement Reserve	-	-	-	-	-	-				-
Housing Planning Klaarstroom	-	-	-	-	-	-				-
Water Services Plan	-	-	-	-	-	-				-
Total Other Grant Providers	726 808	-	726 808	22 828 033	4 197 333	10 106 369	-	390 388	-	8 860 751
Total	3 321 219	-	3 321 219	48 917 900	22 233 309	19 362 912	-	738 328	-	9 904 570

APPENDIX C(1) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue - Standard								
<i>Governance and administration</i>	38 282	4 961	43 243	37 901	(5 342)	87.6%	99.0%	22 153
Executive and council	1 828	—	1 828	1 825	(3)	99.8%	99.8%	1 968
Budget and treasury office	35 520	4 961	40 480	35 058	(5 422)	86.6%	98.7%	19 193
Corporate services	935	—	935	1 018	83	108.9%	108.9%	992
<i>Community and public safety</i>	5 404	—	5 404	14 572	9 169	269.7%	269.7%	3 221
Community and social services	1 206	—	1 206	1 203	(3)	99.7%	99.7%	1 726
Sport and recreation	285	—	285	283	(2)	99.3%	99.3%	282
Public safety	3 913	—	3 913	13 087	9 174	334.5%	334.5%	1 212
Housing	—	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>	1 154	—	1 154	1 024	(130)	88.7%	88.7%	1 006
Planning and development	200	—	200	200	—	100.0%	100.0%	200
Road transport	954	—	954	824	(130)	86.4%	86.4%	806
Environmental protection	—	—	—	—	—	—	—	—
<i>Trading services</i>	20 841	(745)	20 096	20 025	(71)	99.6%	96.1%	16 750
Electricity	12 341	(775)	11 566	11 256	(311)	97.3%	91.2%	9 624
Water	3 508	(33)	3 474	3 634	159	104.6%	103.6%	3 449
Waste water management	3 087	(23)	3 064	3 138	74	102.4%	101.6%	2 258
Waste management	1 905	86	1 992	1 998	7	100.3%	104.9%	1 419
<i>Other</i>	—	—	—	—	—	—	—	—
Total Revenue - Standard	65 681	4 216	69 897	73 523	3 626	105.2%	111.9%	43 129
Expenditure - Standard								
<i>Governance and administration</i>	24 069	149	24 219	26 622	2 403	109.9%	110.6%	17 898
Executive and council	4 763	(240)	4 523	4 445	(78)	98.3%	93.3%	4 532
Budget and treasury office	16 135	290	16 425	14 813	(1 613)	90.2%	91.8%	9 856
Corporate services	3 170	99	3 270	7 364	4 094	225.2%	232.3%	3 511
<i>Community and public safety</i>	4 531	(506)	4 024	14 658	10 634	364.2%	323.5%	3 256
Community and social services	1 950	(430)	1 520	1 272	(248)	83.7%	65.2%	1 623
Sport and recreation	357	(66)	291	378	87	130.0%	105.9%	261
Public safety	2 223	(10)	2 213	13 008	10 795	587.7%	585.1%	1 372
Housing	—	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>	3 127	(3)	3 125	2 963	(162)	94.8%	94.8%	3 097
Planning and development	429	(11)	419	432	14	103.2%	100.7%	299
Road transport	2 698	8	2 706	2 531	(175)	93.5%	93.8%	2 799
Environmental protection	—	—	—	—	—	—	—	—
<i>Trading services</i>	16 832	(2 325)	14 507	16 966	2 458	116.9%	100.8%	16 486
Electricity	10 684	(1 543)	9 141	11 046	1 904	120.8%	103.4%	10 469
Water	2 251	(488)	1 762	1 663	(100)	94.3%	73.9%	2 180
Waste water management	1 462	758	2 220	2 540	320	114.4%	173.7%	2 155
Waste management	2 435	(1 051)	1 384	1 717	333	124.1%	70.5%	1 683
<i>Other</i>	—	—	—	—	—	—	—	—
Total Expenditure - Standard	48 559	(2 685)	45 875	61 209	15 334	133.4%	126.0%	40 738
Surplus/(Deficit) for the year	17 122	6 900	24 022	12 314	(11 708)	51.3%	71.9%	2 391

APPENDIX C(2) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue by Vote								
Vote 1 - EXECUTIVE AND COUNCIL	1 828	-	1 828	1 825	(3)	99.8%	99.8%	1 968
Vote 2 - DIRECTOR FINANCE	35 520	4 961	40 480	35 058	(5 422)	86.6%	98.7%	19 193
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	2 341	-	2 341	2 420	80	103.4%	103.4%	2 918
Vote 4 - DIRECTOR TECHNICAL SERVICES	25 993	(745)	25 248	34 219	8 971	135.5%	131.6%	19 050
Vote 5 -	-	-	-	-	-	-	-	-
Vote 6 -	-	-	-	-	-	-	-	-
Vote 7 -	-	-	-	-	-	-	-	-
Vote 8 -	-	-	-	-	-	-	-	-
Vote 9 -	-	-	-	-	-	-	-	-
Vote 10 -	-	-	-	-	-	-	-	-
Vote 11 -	-	-	-	-	-	-	-	-
Vote 12 -	-	-	-	-	-	-	-	-
Vote 13 -	-	-	-	-	-	-	-	-
Vote 14 -	-	-	-	-	-	-	-	-
Vote 15 -	-	-	-	-	-	-	-	-
Total Revenue by Vote	65 681	4 216	69 897	73 523	3 626	105.2%	111.9%	43 129
Expenditure by Vote, to be appropriated								
Vote 1 - EXECUTIVE AND COUNCIL	4 763	(240)	4 523	4 445	(78)	98.3%	93.3%	4 532
Vote 2 - DIRECTOR FINANCE	15 548	878	16 425	14 813	(1 613)	90.2%	95.3%	9 856
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	6 137	(929)	5 208	4 870	(338)	93.5%	79.4%	5 433
Vote 4 - DIRECTOR TECHNICAL SERVICES	22 111	(2 393)	19 718	37 080	17 363	188.1%	167.7%	20 918
Vote 5 -	-	-	-	-	-	-	-	-
Vote 6 -	-	-	-	-	-	-	-	-
Vote 7 -	-	-	-	-	-	-	-	-
Vote 8 -	-	-	-	-	-	-	-	-
Vote 9 -	-	-	-	-	-	-	-	-
Vote 10 -	-	-	-	-	-	-	-	-
Vote 11 -	-	-	-	-	-	-	-	-
Vote 12 -	-	-	-	-	-	-	-	-
Vote 13 -	-	-	-	-	-	-	-	-
Vote 14 -	-	-	-	-	-	-	-	-
Vote 15 -	-	-	-	-	-	-	-	-
Total Expenditure by Vote	48 559	(2 685)	45 875	61 209	15 334	133.4%	126.0%	40 738
Surplus/(Deficit) for the year	17 122	6 900	24 022	12 314	(11 708)	51.3%	71.9%	2 391

APPENDIX C(3) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE

Description R thousand	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Revenue By Source								
Property rates	2 218	—	2 218	2 129	(89)	96.0%	96.0%	1 959
Property rates - penalties & collection charges	—	—	—	—	—	—	—	—
Service charges	14 706	(753)	13 953	13 876	(77)	99.5%	94.4%	13 156
Rental of facilities and equipment	295	—	295	280	(15)	95.0%	95.0%	201
Interest earned - external investments	340	—	340	542	202	159.4%	159.4%	366
Interest earned - outstanding debtors	500	—	500	563	63	112.5%	112.5%	564
Dividends received	—	—	—	—	—	—	—	—
Fines	2 681	—	2 681	12 580	9 899	469.2%	469.2%	742
Licences and permits	908	—	908	256	(652)	28.2%	28.2%	219
Agency services	—	—	—	—	—	—	—	—
Transfers recognised - operating	24 433	63	24 496	22 581	(1 914)	92.2%	92.4%	15 924
Other revenue	1 613	(1 124)	489	1 354	864	276.7%	83.9%	781
Gains on disposal of PPE	—	—	—	—	—	—	—	—
Total Revenue (excluding capital transfers and contributions)	47 693	(1 814)	45 879	54 160	8 281	-2528.6%	113.6%	33 913
Expenditure By Type								
Employee related costs	12 138	(639)	11 498	13 599	2 101	118.3%	112.0%	13 468
Remuneration of councillors	2 305	—	2 305	2 309	4	100.2%	100.2%	2 184
Debt impairment	1 600	—	1 600	13 167	11 567	822.9%	822.9%	2 882
Depreciation & asset impairment	517	1 070	1 588	6 083	4 496	383.2%	1175.6%	1 697
Finance charges	58	300	358	425	67	118.7%	728.2%	343
Bulk purchases	8 400	(675)	7 725	7 630	(95)	98.8%	90.8%	8 095
Other materials	—	—	—	—	—	—	—	—
Contracted services	—	—	—	—	—	—	—	—
Transfers and grants	—	—	—	—	—	—	—	—
General Expenses	22 100	(1 300)	20 800	11 282	(9 518)	54.2%	51.0%	9 226
Loss on disposal of PPE	—	—	—	56	56	#DIV/0!	#DIV/0!	—
Total Expenditure	47 119	(1 244)	45 875	54 553	8 678	-3686.7%	115.8%	37 895
Surplus/(Deficit)	574	(570)	4	(393)	(397)	-9536.2%	-68.4%	(3 982)
Transfers recognised - capital	17 918	6 100	24 018	19 363	(4 655)	80.6%	108.1%	7 741
Contributions recognised - capital	—	—	—	—	—	—	—	—
Contributed assets	—	—	—	—	—	—	—	—
Surplus/(Deficit) for the year	18 492	5 530	24 022	18 970	(5 052)	79.0%	102.6%	3 759

APPENDIX C(4) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Description R thousand	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Capital expenditure - Vote					-	-	-	
Multi-year expenditure					-	-	-	
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-	-	-	-	-	-
Vote 2 - DIRECTOR FINANCE	-	-	-	-	-	-	-	-
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	-	-	-	-	-	-	-	-
Vote 4 - DIRECTOR TECHNICAL SERVICES	-	-	-	-	-	-	-	-
Capital multi-year expenditure	-	-	-	-	-	-	-	-
Single-year expenditure								
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-	-	-	-	-	-
Vote 2 - DIRECTOR FINANCE	-	-	-	-	-	-	-	-
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	10 000	-	10 000	297	(9 703)	3.0%	3.0%	1 343
Vote 4 - DIRECTOR TECHNICAL SERVICES	7 918	6 100	14 018	20 108	6 090	143.4%	254.0%	7 013
Capital single-year expenditure	17 918	6 100	24 018	20 405	(3 613)	85%	114%	8 356
Total Capital Expenditure - Vote	17 918	6 100	24 018	20 405	(3 613)	85%	114%	8 356
Capital Expenditure - Standard					-	-	-	
Governance and administration	10 750	(750)	10 000	27	(9 973)	0.3%	0.3%	664
Executive and council	-	-	-	17	17	#DIV/0!	#DIV/0!	-
Budget and treasury office	-	-	-	-	-	-	-	-
Corporate services	10 750	(750)	10 000	10	(9 990)	0.1%	0.1%	664
Community and public safety	850	(730)	120	264	144	220.0%	31.1%	3 536
Community and social services	-	-	-	264	264	#DIV/0!	#DIV/0!	-
Sport and recreation	850	(730)	120	-	(120)	-	-	2 858
Public safety	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	678
Health	-	-	-	-	-	-	-	-
Economic and environmental services	1 800	1 010	2 810	9 470	6 660	337.0%	526.1%	2 693
Planning and development	-	-	-	-	-	-	-	-
Road transport	1 800	1 010	2 810	9 470	6 660	337.0%	526.1%	2 693
Environmental protection	-	-	-	-	-	-	-	-
Trading services	4 519	6 570	11 089	10 644	(445)	96.0%	235.6%	1 462
Electricity	-	-	-	6	6	#DIV/0!	#DIV/0!	1 462
Water	3 542	3 722	7 264	6 178	(1 086)	85.0%	174.4%	-
Waste water management	976	2 848	3 824	4 460	636	116.6%	456.8%	-
Waste management	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	17 919	6 100	24 019	20 405	(3 613)	85%	114%	8 356
Funded by:					-	-	-	
National Government	7 718	6 100	13 818	9 257	(4 561)	67.0%	119.9%	7 741
Provincial Government	10 200	-	10 200	10 989	789	107.7%	107.7%	-
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-
Transfers recognised - capital	17 918	6 100	24 018	20 245	(3 773)	84%	113%	7 741
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	616
Internally generated funds	-	-	-	160	160	#DIV/0!	#DIV/0!	-
Total Capital Funding	17 918	6 100	24 018	20 405	(3 613)	85%	114%	8 356

APPENDIX G - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
CASH FLOWS

Description R thousand	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts					-	-	-	
Ratepayers and other	22 690	(4 222)	18 468	33 262	14 795	180.1%	146.6%	42 783
Government - operating	34 026	(9 531)	24 496	22 581	(1 914)	92.2%	66.4%	15 924
Government - capital	8 125	15 893	24 018	19 363	(4 655)	80.6%	238.3%	7 741
Interest	840	-	840	1 104	264	131.5%	131.5%	930
Dividends	-	-	-	-	-	-	-	-
Payments					-	-	-	
Suppliers and employees	(45 445)	2 812	(42 633)	(48 215)	(5 582)	113.1%	106.1%	(59 273)
Finance charges	(208)	(150)	(358)	(425)	(67)	118.7%	204.1%	(343)
Transfers and Grants	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	20 028	4 802	24 830	27 671	2 840	111.4%	138.2%	7 762
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts					5 681	-	-	
Proceeds on disposal of PPE	-	-	-	53	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
Payments					-	-	-	
Capital assets	(17 918)	(6 100)	(24 018)	(20 408)	3 610	85.0%	113.9%	(8 773)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(17 918)	(6 100)	(24 018)	(20 356)	3 662	84.8%	113.6%	(8 773)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts					-	-	-	
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	52
Increase (decrease) in consumer deposits	-	-	-	22	22	#DIV/0!	#DIV/0!	16
Payments					7 294	-	-	
Repayment of borrowing	-	(76)	(76)	(76)	(0)	100.0%	#DIV/0!	(60)
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	(76)	(76)	(54)	22	70.5%	#DIV/0!	8
NET INCREASE/ (DECREASE) IN CASH HELD	2 110	(1 374)	736	7 262	6 525	986.2%	344.2%	(1 003)
Cash/cash equivalents at the year begin:	3 882	(1 389)	2 493	2 493	0	100.0%	64.2%	3 496
Cash/cash equivalents at the year end:	5 992	(2 763)	3 229	9 755	6 548	302.1%	162.8%	2 493